

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2004**

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2004  
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**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**

**BOARD MEMBERS AND OFFICIALS**

**June 30, 2004**

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**Board of Education (Before September 9 2003 Election)**

<u>Name</u>		<u>Term Expires</u>
Deborah De Haan	President	2005
Gerald Van Roekel	Vice President	2004
Derrick De Haan	Board Member	2005
Patti Thayer	Board Member	2004
Harry Vander Pol	Board Member	2003

**Board of Education (After September 9, 2003 Election)**

Deborah De Haan	President	2005
Gerald Van Roekel	Vice President	2004
Dan Duistermars	Board Member	2006
Derrick De Haan	Board Member	2005
Patti Thayer	Board Member	2004

**Officials**

Gary Richardson	Superintendent	2004
Leann Evenhuis	Board Secretary	2004
Dave Hughes	Board Treasurer	2004
Stephen F. Avery	Attorney	2004



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Le Mars, IA 51031  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Education of  
MOC-Floyd Valley Community School District  
Orange City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-Floyd Valley Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the MOC-Floyd Valley Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of MOC-Floyd Valley Community School District as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, during the year ended June 30, 2004, MOC-Floyd Valley Community School District adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2004 on our consideration of the MOC-Floyd Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MOC-Floyd Valley Community School District's basic financial statements. The financial statements for the three years ended June 30, 2003, (none of which are presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report and they expressed unqualified opinions on them. The supplementary information, included in Schedules 1 through 7, including the accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Williams & Company, P.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa  
September 2, 2004

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## **MOC-FLOYD VALLEY MANAGEMENT DISCUSSION AND ANALYSIS**

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MOC-Floyd Valley School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

General fund revenues increased from \$8,870,567 in fiscal 2003 to \$8,955,199 in fiscal 2004, while General fund expenditures increased from \$8,704,800 in fiscal 2003 to \$9,127,724 in fiscal 2004. The District's General fund balance decreased from \$251,447 in fiscal 2003 to \$74,922 in fiscal 2004, a 70% decrease.

The increase in General fund revenues was attributable due to an overall increase in property taxes and federal grants in fiscal 2004. The increase in expenditures was due primarily to an increase in benefits, specifically health insurance costs, as well as restricted grant expenditures. One reason the general fund balance decreased is because the District received a 4.3% across the board cut in all state aid.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of MOC-Floyd Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MOC-Floyd Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds, Capital Project Funds, and Debt Service Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

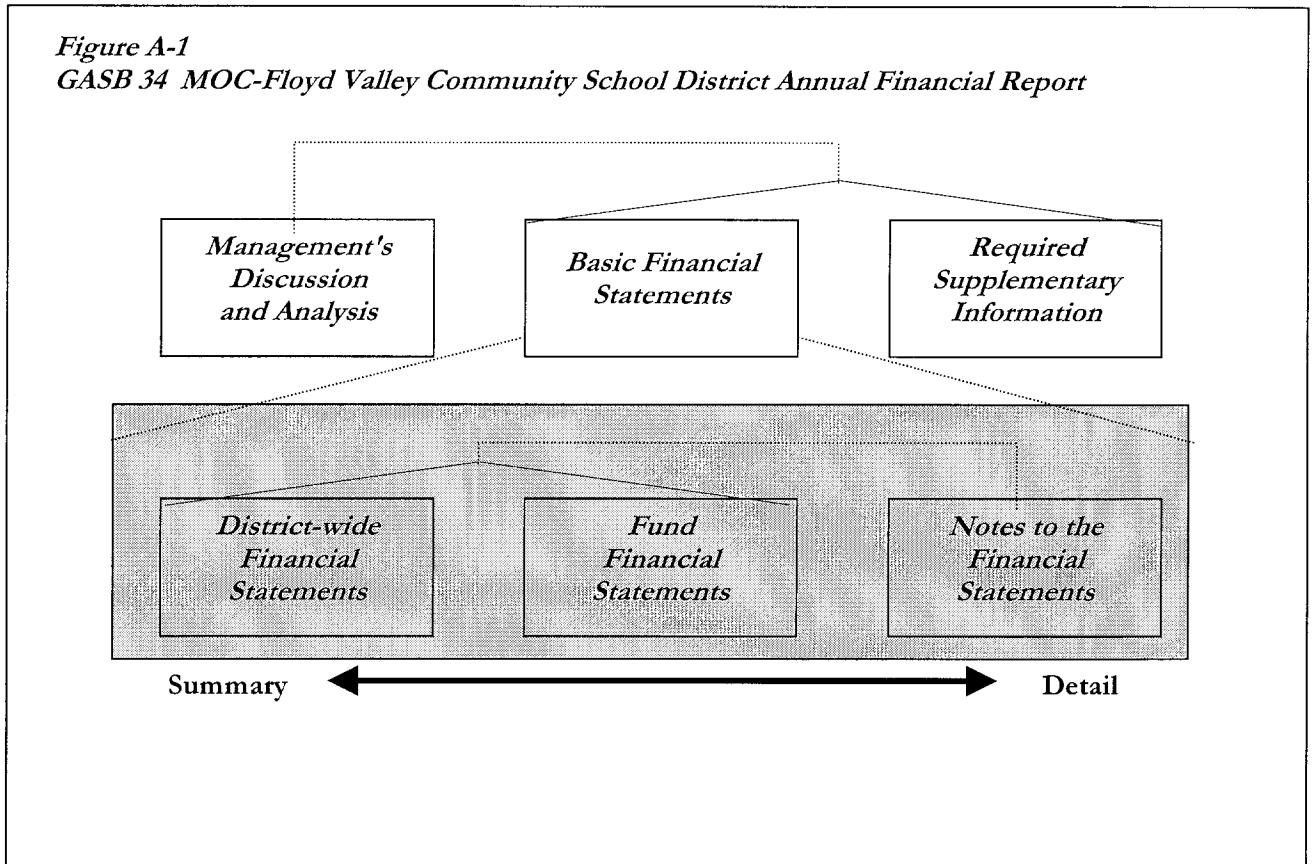


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:



- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004.

<b>Figure A-3</b>			
<b>Condensed Statement of Net Assets</b>			
	Governmental Activities 2004	Business type Activities 2004	Total District 2004
Current and other assets	\$ 7,543,108	\$ 95,844	\$ 7,638,952
Capital assets	5,692,527	43,000	5,735,527
Total assets	13,235,635	138,844	13,374,479
Current liabilities	5,674,816	8,451	5,683,267
Long-term liabilities	2,911,042	-	2,911,042
Total liabilities	8,585,858	8,451	8,594,309
Net assets			
Invested in capital assets, Net of related debt	4,151,511	43,000	4,194,511
Restricted	207,623	-	207,623
Unrestricted	290,643	87,393	378,036
Total net assets	\$ 4,649,777	\$ 103,393	\$ 4,780,170

Figure A-4 shows the change in net assets for the year ended June 20, 2004.

<b>Figure A-4</b>			
<b>Changes in Net Assets</b>			
	Governmental Activities 2004	Business type Activities 2004	Total District 2004
Revenues:			
Program Revenues:			
Charges for service	\$ 551,539	\$ 289,806	\$ 841,345
Operating grants, contributions, and restricted interest	1,273,065	160,805	1,433,870
Capital grants, contributions, and restricted interest	85,381	-	85,381
General Revenues:			
Property tax	4,641,314	-	4,641,314
Local option sales and service tax	347,215	-	347,215
Unrestricted state grants	3,774,742	-	3,774,742
Unrestricted investment earnings	40,353	1,543	41,896
Other	25,705	1,624	27,329
Total Revenues	10,739,314	453,778	11,193,092
Program expenses			
Governmental activities:			
Instruction	6,805,923	-	6,805,923
Support services	2,735,784	-	2,735,784
Non-instructional programs	14,123	454,235	468,358
Other expenses	649,576	-	649,576
Total expenses	10,205,406	454,235	10,659,641
Change in net assets	\$ 533,908	\$ (457)	\$ 533,451

Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$10,739,314 and expenses were \$10,205,406. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 6,805,923	\$ 5,558,721
Support Services	2,735,784	2,516,623
Non-instructional programs	14,143	6,309
Other expenses	649,576	213,768
Total	<u>\$ 10,205,406</u>	<u>\$ 8,295,421</u>

- The cost financed by users of the District's programs was \$551,539.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,273,065.
- The net cost of governmental activities was financed with \$4,988,529 in property and other taxes and \$3,774,742 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$453,778 and expenses were \$454,235. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, MOC-Floyd Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$501,420, below last year's ending fund balances of \$520,041.

## **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$251,447 to \$74,922, due in part to negotiated salary and benefits, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Management Levy fund balance decreased from \$30,116 in fiscal 2003 to a deficit \$49,959 in fiscal 2004. The decrease is due to costs incurred related to seven early retirements. The deficit will be funded through future property tax revenue.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$97,791 in fiscal 2003 to \$73,951 in fiscal 2004.
- The Capital Projects Lost Fund balance at June 30, 2004 was \$268,595. This is a new fund established to account for the proceeds from the new local sales and services tax which began on January 1, 2004.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$130,850 at June 30, 2003 to \$130,393 at June 30, 2004, representing basically a break even.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the cash basis. During the year, expenditures did not exceed the certified amounts. Detail can be found in the supplementary information section of this report as required.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of 2004, the District had invested \$12,825,337 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6). More detailed information about capital assets can be found in Note 6 to the financial statements. Total depreciation expense for the year was \$371,296.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities 2004	Business type Activities 2004	Total District 2004
Land	\$ 237,000	-	\$ 237,000
Construction in Progress	105,293	-	105,293
Buildings	9,766,213	-	9,766,213
Improvements other than buildings	579,723	-	579,723
Furniture and equipment	2,067,101	\$ 70,007	2,137,108
Total	\$ 12,755,330	\$ 70,007	\$ 12,825,337

### **Long-Term Debt**

At year end, the District had \$1,505,000 in general obligation bonds outstanding, \$36,016 in lease obligations, and \$156,026 in early retirement obligations. Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District will see a declining enrollment trend continue into 2004-2005 with the loss of approximately 35 students. This is a decline of 75 students since FY 2001.
- The revaluation of Ag land during this past fiscal year reduced the total assessed valuation of the district by \$41,000,000. This had a negative effect on the total tax levy of the District.
- There is considerable economic expansion beginning in the Alton/Orange City area with the Highway 60 by-pass project, the building of a new \$30 million hospital in Orange City, the expansion of Med-Tech, Advanced Brands, and Revival Animal Health Incorporated. While all of these entities are expanding, we have not seen that translate into an increase in enrollment but feel that it is likely in the future.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Leann Evenhuis, District Secretary/Treasurer and Business Manager, MOC-Floyd Valley Consolidated School District, 1301 8<sup>th</sup> Street SE, Orange City Iowa 51041.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
June 30, 2004

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 1,582,168	\$ 70,841	\$ 1,653,009
Receivables:			
Property Tax	25,046		25,046
Succeeding Year Property Tax	4,423,032		4,423,032
Accounts	7,554		7,554
Due from Other Governments	258,122		258,122
Restricted Assets:			
ISCAP Investments	1,221,279		1,221,279
ISCAP Interest Receivable	2,755		2,755
Prepaid Expense	7,801		7,801
Inventories		25,003	25,003
Bond Issue Costs	15,351		15,351
Land	237,000		237,000
Construction in Progress	105,293		105,293
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 6)	5,350,234	43,000	5,393,234
Total Assets	13,235,635	138,844	13,374,479
<b>LIABILITIES</b>			
Accounts Payable	334,751	1,138	335,889
Salaries and Benefits Payable	895,389	23	895,412
Accrued Interest Payable	5,180		5,180
Unearned Revenue		7,290	7,290
Deferred Revenue - Succeeding Year Taxes	4,423,032		4,423,032
ISCAP Unamortized Premium	12,286		12,286
ISCAP Interest Payable	4,178		4,178
Noncurrent Liabilities:			
Debt Due Within One Year:			
ISCAP Warrants Payable	1,214,000		1,214,000
Lease Obligations Payable	22,686		22,686
Bonds Payable	570,000		570,000
Early Retirement Payable	146,231		146,231
Due in More Than One Year:			
Lease Obligations Payable	13,330		13,330
Early Retirement Payable	9,795		9,795
Bonds Payable	935,000		935,000
Total Liabilities	8,585,858	8,451	8,594,309
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,151,511	43,000	4,194,511
Restricted for:			
Educational Excellence - Phase III	5,114		5,114
Debt Service	32,382		32,382
Physical Plant and Equipment Levy	73,951		73,951
Other Special Revenue Purposes	96,176		96,176
Unrestricted	290,643	87,393	378,036
Total Net Assets	\$ 4,649,777	\$ 130,393	\$ 4,780,170

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	4,667,998	166,819	414,031	
Special Instruction	1,267,711	47,846	256,797	900
Other Instruction	870,216	331,618	29,191	
Support Services:				
Student Services	290,962		7,866	
Instructional Staff Services	489,369		3,555	77,981
Administration Services	855,401			
Operation and Maintenance	675,292	5,256		6,500
Transportation Services	424,758		118,003	
Non-instructional Programs	14,123		7,814	
Other Expenditures:				
Facilities Acquisition and Construction Services	125,081			
Long-term Debt Interest	88,687			
AEA Flowthrough	435,808		435,808	
Total governmental activities	<u>10,205,406</u>	<u>551,539</u>	<u>1,273,065</u>	<u>85,381</u>
<b>Business Type Activities</b>				
Non-instructional Programs				
Food Service Operations	<u>454,235</u>	<u>289,806</u>	<u>160,805</u>	
<b>Total</b>	<u><u>\$ 10,659,641</u></u>	<u><u>\$ 841,345</u></u>	<u><u>\$ 1,433,870</u></u>	<u><u>\$ 85,381</u></u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Debt Service				
Capital Outlay				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Other				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(4,087,148)		\$ (4,087,148)
(962,168)		(962,168)
(509,407)		(509,407)
(283,096)		(283,096)
(407,833)		(407,833)
(855,401)		(855,401)
(663,536)		(663,536)
(306,755)		(306,755)
(6,309)		(6,309)
(125,081)		(125,081)
(88,687)		(88,687)
-		-
(8,295,421)		(8,295,421)
	\$ (3,624)	(3,624)
(8,295,421)	(3,624)	(8,299,045)
3,677,520		3,677,520
613,945		613,945
349,849		349,849
347,215		347,215
3,774,742		3,774,742
40,353	1,543	41,896
25,705	1,624	27,329
8,829,329	3,167	8,832,496
533,908	(457)	533,451
4,115,869	130,850	4,246,719
\$ 4,649,777	\$ 130,393	\$ 4,780,170

See Accompanying Notes to Financial Statements



**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**

**BALANCE SHEET**

**Governmental Funds**

**June 30, 2004**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and Pooled Investments	\$ 989,479	\$ 514,353	\$ 1,503,832
Receivables:			
Property Tax	19,187	5,859	25,046
Succeeding Year Property Tax	3,455,584	967,448	4,423,032
Accounts	125	7,429	7,554
Due from Other Governments	137,986	120,136	258,122
Restricted Assets:			
Investments	1,221,279		1,221,279
Accrued Interest Receivable	2,755		2,755
Prepaid Expense		7,801	7,801
Total Assets	<u>5,826,395</u>	<u>1,623,026</u>	<u>7,449,421</u>
<b>Liabilities and Equity</b>			
Liabilities:			
Accounts Payable and Accrued Liabilities	170,036	159,502	329,538
Salaries and Benefits Payable	895,389		895,389
Early Retirement Payable		69,578	69,578
Deferred Revenue - Succeeding Year Taxes	3,455,584	967,448	4,423,032
ISCAP Unamortized Premium	12,286		12,286
ISCAP Interest Payable	4,178		4,178
ISCAP Warrants Payable	1,214,000		1,214,000
Total Liabilities	<u>5,751,473</u>	<u>1,196,528</u>	<u>6,948,001</u>
Fund Balances:			
Reserved for:			
Educational Excellence- Phase III	5,114		5,114
Debt Service		37,562	37,562
Unreserved for:			
General Fund	69,808		69,808
Special Revenue Fund		120,168	120,168
Capital Project Fund		268,768	268,768
Total Fund Balances	<u>74,922</u>	<u>426,498</u>	<u>501,420</u>
Total Liabilities and Equity	<u>\$ 5,826,395</u>	<u>\$ 1,623,026</u>	<u>\$ 7,449,421</u>

See Accompanying Notes to Financial Statements

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**For the Year Ended June 30, 2004**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 15)	\$ 501,420
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,692,527
An internal service fund is used by management to fund and maintain the District's partially self-insured health insurance provided to user departments and is included in the statement of net assets.	73,123
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,180)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	15,351
Long-term liabilities, including bonds payable, lease obligations payable, and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,627,464)</u>
Total Net Assets - Governmental Activities (page 12)	<u><u>\$ 4,649,777</u></u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**Year Ended June 30, 2004**

	General	Other Governmental Funds	Total Governmental Funds
Revenue:			
Local Sources:			
Local Tax	\$ 3,555,974	\$ 1,432,555	\$ 4,988,529
Tuition	186,899		186,899
Other	89,753	342,787	432,540
State Sources	4,691,547	1,133	4,692,680
Federal Sources	431,026		431,026
Total Revenue	<u>8,955,199</u>	<u>1,776,475</u>	<u>10,731,674</u>
Expenditures:			
Current:			
Instruction:			
Regular Instruction	4,332,721	169,353	4,502,074
Special Instruction	1,267,711		1,267,711
Other Instruction	549,376	318,500	867,876
Support Services:			
Student Services	290,464	498	290,962
Instructional Staff Services	485,849	3,665	489,514
Administration Services	784,561	58,161	842,722
Operation and Maintenance	619,467	27,364	646,831
Transportation Services	353,953	110,475	464,428
Non-instructional Programs	7,814	6,309	14,123
Other Expenditures:			
Facilities Acquisition and Construction Services		298,711	298,711
Long-term Debt:			
Principal		545,000	545,000
Interest and Fiscal Charges		84,535	84,535
AEA Flowthrough	435,808		435,808
Total Expenditures	<u>9,127,724</u>	<u>1,622,571</u>	<u>10,750,295</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(172,525)</u>	<u>153,904</u>	<u>(18,621)</u>
Other Financing Sources (Uses):			
Transfers In		4,000	4,000
Transfers Out	(4,000)		(4,000)
Total Other Financing Sources (Uses)	<u>(4,000)</u>	<u>4,000</u>	<u>-</u>
Net Change in Fund Balances	(176,525)	157,904	(18,621)
Fund Balances - Beginning of Year	251,447	268,594	520,041
Fund Balances - End of Year	<u>\$ 74,922</u>	<u>\$ 426,498</u>	<u>\$ 501,420</u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2004**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 17)	\$	(18,621)
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	\$ 303,822	
Depreciation expense	<u>(364,478)</u>	(60,656)

Capital contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds.	9,481
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Accrued interest expense that does not require current financial resources	1,815
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Internal service funds are used by management to fund and maintain the District's health insurance provided to user departments. The net revenue of the internal service funds is reported with governmental activities.	66,223
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(36,975)
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The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	(5,967)
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The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:

Bonds payable	545,000	
Lease obligations payable	<u>33,608</u>	<u>578,608</u>

Change in net assets of governmental activities (page 14)	\$	<u>533,908</u>
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See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Combining Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2004**

	<b>Business Type Activities School Nutrition Fund</b>	<b>Governmental Activities Internal Service</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Pooled Investments	\$ 70,841	\$ 78,336
Inventories	25,003	-
Total Current Assets	<u>95,844</u>	<u>78,336</u>
Noncurrent Assets:		
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 6)	43,000	-
Total Noncurrent Assets	<u>43,000</u>	<u>-</u>
Total Assets	<u>138,844</u>	<u>78,336</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	1,138	5,213
Salaries and Benefits Payable	23	-
Unearned Revenue	7,290	-
Total Current Liabilities	<u>8,451</u>	<u>5,213</u>
Total Liabilities	<u>8,451</u>	<u>5,213</u>
<b>NET ASSETS</b>		
Invested in Capital Assets,		
Net of Related Debt	43,000	-
Unrestricted	87,393	73,123
Total Net Assets	<u>\$ 130,393</u>	<u>\$ 73,123</u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2004**

	<b>Business Type Activities School Nutrition Fund</b>	<b>Governmental Activities Internal Service</b>
Operating Revenues:		
Charges for services	\$ 289,806	\$ 205,184
Miscellaneous	1,624	
Total Operating Revenue	<u>291,430</u>	<u>205,184</u>
Operating Expenditures:		
Non-Instructional Programs:		
Food Service Operations:		
Salaries	173,428	
Benefits	21,929	
Purchased Services	7,520	
Supplies	244,540	
Depreciation	6,818	
Other Enterprise Operations:		
Benefits		128,186
Purchased Services		10,775
Total Operating Expenses	<u>454,235</u>	<u>138,961</u>
Operating Income (Loss)	<u>(162,805)</u>	<u>66,223</u>
Non-Operating Revenues :		
Interest Income	1,543	
State Lunch Reimbursements	6,659	
National School Lunch Program	110,593	
Federal Food Commodities Received	43,553	
Total Non-Operating Revenues	<u>162,348</u>	<u>-</u>
Change in net assets	(457)	66,223
Net Assets - beginning	<u>130,850</u>	<u>6,900</u>
Net Assets - ending	<u><u>\$ 130,393</u></u>	<u><u>\$ 73,123</u></u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2004**

	<b>Business Type Activities School Nutrition Fund</b>	<b>Governmental Activities Internal Service</b>
<b>Cash flows from operating activities:</b>		
Cash received from sale of lunches and breakfasts	\$ 297,236	
Cash received from miscellaneous operating activities	1,624	\$ 205,184
Cash paid to employees for services	(195,431)	
Cash paid to suppliers for goods or services	(207,693)	(133,748)
Total cash provided (used) by operating activities	(104,264)	71,436
<b>Cash flows from noncapital financing activities:</b>		
State grants received	6,659	
Federal grants received	110,593	
Total cash provided by noncapital financing activities	117,252	-
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(13,225)	
<b>Cash flows from investing activities:</b>		
Interest on investments	1,543	
Net increase in cash and cash equivalents	1,306	71,436
Cash and cash equivalents - beginning of year	69,535	6,900
Cash and cash equivalents - end of year	70,841	78,336
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>		
Operating income (loss)	(162,805)	66,223
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation expense	6,818	
Commodities used	41,314	
(Increase) decrease in assets and increase (decrease) in liabilities:		
Accounts Receivable	140	
Inventories	2,521	
Accounts Payable	532	5,213
Salaries and benefits payable	(74)	
Unearned Revenue	7,290	
Net cash provided (used) in operating activities	\$ (104,264)	\$ 71,436
<b>Non-cash investing, capital and financing activities:</b>		
Federal food commodities received	\$ 43,553	\$ -

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The MOC-Floyd Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Maurice, Orange City, Alton, Hospers, Newkirk and Granville, Iowa, and the predominate agricultural territory in Sioux and O'Brien Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

**A. Reporting Entity**

For financial reporting purposes, MOC-Floyd Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. MOC-Floyd Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statement include the following:

- For the first time:
  - a. A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and result of operations.
  - b. Financial statements prepared using full accrual accounting for all the District's activities.
  - c. A change in the fund financial statements to focus on the major funds of the District.

Also approved by GASB was Statement No. 38, *Certain Financial Statement Note Disclosures*.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The District has implemented the statements for the year ended June 30, 2004.



**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

**B. Basic Financial Statements- Government-Wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service and capital project funds are classified as governmental activities. The District's internal service fund is classified as a governmental-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The District does not allocate indirect costs. Certain expenses of the District are accounted for through an internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**C. Fund Financial Statements**

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – Capital Project Funds account for all resources used in the acquisition and construction of capital facilities.

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the District's internal service fund is as follows:

Split-Funding Health Insurance – To account for the funding and maintenance of the District's partial self-funded health insurance provided to District employees.

The District reports the following major governmental funds:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund.

The District reports the following major enterprise funds:

School Nutrition – Accounts for the food service operations of the District.

**D. Basis of Accounting/Measurement Focus**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Accounting**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

**F. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Prepaid Items – Payments made to vendors for services that will benefit periods beyond June 30, 2004 are recorded as prepaid items.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$2,000 for governmental capital assets and \$500 for school nutrition capital assets.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**NOTE 2 – LEGAL COMPLIANCE – BUDGETS**

The District's legal compliance for budget to actual comparison is specified in the Code of Iowa and is for expenditures by functional area. The District budgets on a cash basis. The legal level of control is at the aggregated function level, not at the fund or fund type level. Budgets are prepared for all funds except the internal service fund.

During the fiscal year 2004, there were no budget amendments.

The following schedule demonstrates the District's legal compliance to the budget.

<b>Function</b>	<b>Original and Final Budget</b>	<b>Actual (Cash Basis)</b>	<b>Variance Favorable (Unfavorable)</b>
Instruction	\$ 7,601,883	\$ 6,569,105	\$ 1,032,778
Support Services	3,145,022	2,654,762	490,260
Non-instructional Programs	557,989	430,472	127,517
Other Expenditures	1,473,817	1,300,168	173,649
	<u>\$ 12,778,711</u>	<u>\$ 10,954,507</u>	<u>\$ 1,824,204</u>

As noted previously, the actual results of operations are presented in accordance with generally accepted accounting principles, which differ in certain respects from those practices used in the preparation of the 2003-2004 budget. For purposes of preparing the budget comparison above, the actual expenses have been adjusted to the cash basis, which is consistent with the District's budgeted expenditures/expenses. The adjustments required to convert the expenses/expenditures to cash basis at the end of the year are as follows:

	<b>Governmental Fund Types</b>		
		<b>General</b>	
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified Accrual Basis</b>
Revenues	\$ 9,037,502	\$ (89,084)	\$ 8,948,418
Expenditures	9,104,054	23,670	9,127,724
Net	(66,552)	(112,754)	(179,306)
Other Financing Sources (Uses)	(4,000)	-	(4,000)
Beginning Fund Balance	1,060,031	(808,584)	251,447
Ending Fund Balance	<u>\$ 989,479</u>	<u>\$ (921,338)</u>	<u>\$ 68,141</u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

**NOTE 2 – LEGAL COMPLIANCE – BUDGETS – (CONTINUED)**

	<b>Governmental Fund Types</b>		
	<b>Non Major Funds</b>		<b>Modified</b>
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Accrual Basis</b>
Revenues	\$ 1,720,857	\$ 55,618	\$ 1,776,475
Expenditures	1,434,104	188,467	1,622,571
Net	286,753	(132,849)	153,904
Other Financing Sources (Uses)	4,000	-	4,000
Beginning Fund Balance	223,600	44,994	268,594
Ending Fund Balance	<u>\$ 514,353</u>	<u>\$ (87,855)</u>	<u>\$ 426,498</u>

	<b>Governmental Fund Types</b>		
	<b>Totals</b>		<b>Modified</b>
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Accrual Basis</b>
Revenues	\$ 10,758,359	\$ (33,466)	\$ 10,724,893
Expenditures	10,538,158	212,137	10,750,295
Net	220,201	(245,603)	(25,402)
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	1,283,631	(763,590)	520,041
Ending Fund Balance	<u>\$ 1,503,832</u>	<u>\$ (1,009,193)</u>	<u>\$ 494,639</u>

	<b>Proprietary Fund Type</b>		
	<b>Enterprise</b>		<b>Accrual</b>
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Basis</b>
Revenues	\$ 417,655	\$ 36,123	\$ 453,778
Expenses	416,349	37,886	454,235
Net	1,306	(1,763)	(457)
Other Financing Sources (Uses)	-	-	-
Beginning Net Assets	69,535	61,315	130,850
Ending Net Assets	<u>\$ 70,841</u>	<u>\$ 59,552</u>	<u>\$ 130,393</u>

**NOTE 3 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

**NOTE 3 – CASH AND POOLED INVESTMENTS – (CONTINUED)**

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$1,221,279 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year-end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

**NOTE 4 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<b>Transfer To</b>	<b>Transfer From</b>	<b>Amount</b>
Special Revenue:		
Student Activity	General	\$ 4,000
Total		<u>\$ 4,000</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**NOTE 5 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)**

The District participates in the Iowa School Cash Anticipation (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

<b>Series</b>	<b>Warrant Date</b>	<b>Final Warrant Maturity</b>	<b>Investments</b>	<b>Accrued Interest Receivable</b>	<b>Warrants Payable</b>	<b>Accrued Interest Payable</b>
2003-04B	1/30/04	1/28/05	\$ 506,425	\$ 2,755	\$ 503,000	\$ 4,178
2004-05A	6/30/04	6/30/05	714,854	-	711,000	-
			<u>\$ 1,221,279</u>	<u>\$ 2,755</u>	<u>\$ 1,214,000</u>	<u>\$ 4,178</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:



**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

**NOTE 5 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) – (CONTINUED)**

<b>Series</b>	<b>Balance Beginning of Year</b>	<b>Advances Received</b>	<b>Advances Repaid</b>	<b>Balance End of Year</b>
2003-04A	\$ -	\$400,000	\$400,000	\$ -

The Warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<b>Series</b>	<b>Interest Rates on Warrants</b>	<b>Interest Rates on Investments</b>
2003-04B	2.000%	1.310%
2004-05A	3.000%	2.463%

**NOTE 6 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2004 was as follows:

	<b>Balance July 1, 2003</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2004</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 237,000			\$ 237,000
Construction in Progress	-	\$ 105,293		105,293
Total capital assets not being depreciated	237,000	105,293	-	342,293
Capital assets being depreciated:				
Buildings	9,766,213			9,766,213
Improvements other than buildings	579,723			579,723
Furniture and equipment	1,919,562	208,010	\$ 60,471	2,067,101
Total capital assets being depreciated	12,265,498	208,010	60,471	12,413,037
Less: Accumulated Depreciation for:				
Buildings	5,073,558	200,972		5,274,530
Improvements other than buildings	306,760	32,628		339,388
Furniture and equipment	1,378,478	130,878	60,471	7,062,803
Total Accumulated Depreciation	6,758,796	364,478	60,471	7,062,803
Total capital assets being depreciated, net	5,506,702	(156,468)	-	5,350,234
Governmental activities capital assets, net	\$ 5,743,702	\$ (51,175)	\$ -	\$ 5,692,527

Construction in progress at June 30, 2004, for the governmental activities consisted of costs associated with the roof repair at the middle school, water repairs at the Orange City Elementary building, and architect and consulting fees for the high school addition and remodel project.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

**NOTE 6 – CAPITAL ASSETS – (CONTINUED)**

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Business-type Activities:</b>				
Furniture and equipment	\$ 86,435	\$ 13,225	\$ 29,653	\$ 70,007
Less: Accumulated Depreciation	49,842	6,818	29,653	27,007
Business-type activities capital assets, net	<u>\$ 36,593</u>	<u>\$ 6,407</u>	<u>\$ -</u>	<u>\$ 43,000</u>

Depreciation expenses was charged to the functions of the as follows:

**Governmental Activities:**

Regular Instruction	\$ 205,045
Other Instruction	9,806
Instructional Staff Services	23,813
Administration Services	33,874
Operation and Maintenance	42,440
Transportation Services	<u>49,500</u>

Total depreciation expenses – governmental activities \$ 364,478

**Business-type activities:**

Food Service Operations	<u>\$ 6,818</u>
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**Reconciliation of Investment in Capital Assets:**

	Governmental Activities	Business- Type Activities
Land	\$ 237,000	
Construction in Progress	105,293	
Capital Assets (net of accumulated depreciation)	5,350,234	\$ 43,000
Less: Bonds Payable	1,505,000	
Lease Obligation Payable	<u>36,016</u>	
Investment in Capital Assets, Net of Related Debt	<u>\$ 4,151,511</u>	<u>\$ 43,000</u>

**NOTE 7 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General Obligations Bonds	\$ 2,050,000		\$ 545,000	\$ 1,505,000	\$ 570,000
Lease Obligations	69,624		33,608	36,016	22,686
Early Retirement	54,456	\$ 143,928	42,358	156,026	146,231
Governmental Activities Long-Term Liabilities	<u>\$ 2,174,080</u>	<u>\$ 143,928</u>	<u>\$ 620,966</u>	<u>\$ 1,697,042</u>	<u>\$ 738,917</u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**NOTE 7 – LONG-TERM LIABILITIES – (CONTINUED)**

**General Obligation Bonds**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2004 are as follows:

<b><u>Purpose</u></b>	<b><u>Interest Rates</u></b>	<b><u>Amounts</u></b>
Governmental Activities – 1999 Refunding	4.15-4.2%	\$ 555,000
Governmental Activities – 2001 Refunding	4.0-4.2%	950,000
		<u>\$ 1,505,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<b><u>Year Ending June 30</u></b>	<b><u>Governmental Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2005	\$ 570,000	\$ 62,160
2006	600,000	38,955
2007	335,000	14,070
Total	<u>\$ 1,505,000</u>	<u>\$ 115,185</u>

**Advance and Current Refundings**

On February 1, 1999 the District issued \$1,060,000 general revenue refunding bonds with interest rates ranging between 4.0 percent and 4.2 percent. The District issued the bonds to advance refund \$1,035,000 of the outstanding 1990 series general obligation bonds with interest rates ranging between 6.6 percent and 7.25 percent. The District used the net proceeds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 1990 series bonds. On June 1, 2002, these securities were sold and the proceeds used to retire the 1990 series general obligation bonds. The advance refunding reduced total debt service payments over the 7 years remaining on the obligation by nearly \$172,000. This results in an economic gain of \$153,000.

On July 1, 2001, the District issued \$1,510,000 general revenue refunding bonds with interest rates ranging between 3.80 percent and 4.20 percent. The District issued the bonds to advance refund \$1,480,000 of the outstanding 1992 series general obligation bonds with interest rates ranging between 6.35 and 6.90 percent. The District used the net proceeds to purchase U.S. government securities, which were deposited in an irrevocable trust. On June 1, 2002, these securities were sold and the proceeds used to retire the 1992 series general obligation bonds. The advance refunding reduced total debt service payments over the next 5 years by nearly \$58,000. This results in an economic gain of \$52,000.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

**NOTE 7 – LONG-TERM LIABILITIES – (CONTINUED)**

**Capital Leases**

The District has entered into lease agreements as lessee for financing the acquisition of various copy machines. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>
Asset:	
Furniture and Equipment	\$ 50,682
Less: Accumulated Depreciation	(44,770)
Total	<u>\$ 5,912</u>

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2004.

<b><u>Year Ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2005	\$ 22,686	\$ 1,232	\$ 23,918
2006	10,720	415	11,135
2007	2,610	22	<u>2,632</u>
Minimum Lease Payments			37,685
Less: Amount Representing Interest			<u>(1,669)</u>
Present Value of Minimum Lease Payments			<u>\$ 36,016</u>

**Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Teachers and administrators who have 10 years of continuous service with the former districts and/or the new District are eligible for Board approved early retirement compensation. Employees making application for early retirement receive as compensation an amount equal to the difference between the applicant's current salary schedule amount and that year's base pay if the application for early retirement is submitted during a period beginning with the fiscal year before the teacher attains age 55 through the fiscal year in which the teacher attains the age 65. After age 65, no early retirement compensation is available. Part-time teachers receive a percentage of the benefit. Early retirement benefits paid during the year ended June 30, 2004, totaled \$42,358. The cost of early retirement payments liquidated within 60 days is recorded as a liability of the Special Revenue, Management Levy Fund, in the fund financial statements. The non-current portion of the early retirement is recorded in the government-wide financial statements.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**NOTE 8 – PENSION AND RETIREMENT BENEFITS**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$336,137, \$322,960, and \$311,416 respectively, equal to the required contributions for each year.

**NOTE 9 – RISK MANAGEMENT**

MOC-Floyd Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$435,808 for the year ended June 30, 2004 and is recorded in the General Fund.

**NOTE 11 – DEFICIT FUND BALANCE**

As of June 30, 2004, the following fund had a deficit fund balance in the amount show:

Special Revenue:	
Management	<u>\$ 49,959</u>

The deficit will be funded through future property tax revenue.

**NOTE 12 – SPLIT FUNDING HEALTH INSURANCE PLAN**

The District's Split Funding Health Insurance Fund was established to account for the partial self-funding of the District's health insurance benefit plan. The plan is funded by District contributions and is administered through a service agreement with Employee Benefit Systems. The agreement is subject to automatic renewal provisions. The District assumes liability for deductible amounts of \$1,500 or \$1,000 depending on the coverage selected by the employee.

Monthly payments of service fees and plan contributions to the District's Split Funding Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims are processed by Employee Benefit Systems from the Split Funding Health Insurance Fund. The District records the plan assets and related liabilities of the Split Funding Health Insurance Fund as an Internal Service Fund.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2004**

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**NOTE 12 – SPLIT FUNDING HEALTH INSURANCE PLAN – (CONTINUED)**

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Services Fund.

Claims Payable at June 30, 2003	\$ -
Claims Paid	(42,936)
Claims Incurred	48,149
Claims Payable at June 30, 2004	<u>\$ 5,213</u>

**NOTE 13 – COMMITMENTS**

The District has entered into various contracts totaling \$151,992 for roof repairs, water repairs, and ventilation projects. As of June 30, 2004, costs of \$26,289 had been incurred against the contracts. The balance of \$125,703 will be paid as work on the project progresses.

The District entered into a 28E agreement with Northwestern College to share costs associated with the improvement of certain athletic facilities, specifically the installation of the new artificial turf athletic playing field. Work is expected to be completed by August 1, 2004, at which time, the District has committed to contribute an amount not to exceed \$275,000 toward the project.

**NOTE 14 – SUBSEQUENT EVENT**

On July 27, 2004, the School District passed a resolution authorizing the issuance of \$4,500,000 School Infrastructure Local Option Sales and Services Tax revenue bonds to finance the high school building addition and remodeling project.

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## **REQUIRED SUPPLEMENTARY INFORMATION**



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**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET**  
**AND ACTUAL, GENERAL FUND - CASH BASIS**  
**Year Ended June 30, 2004**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Amended		
Revenue:				
Local Sources:				
Local Tax	\$ 3,640,835	\$ 3,640,835	\$ 3,625,738	\$ (15,097)
Tuition	190,000	190,000	181,196	(8,804)
Other	418,500	418,500	120,825	(297,675)
State Sources	4,862,893	4,862,893	4,669,233	(193,660)
Federal Sources	296,000	296,000	440,510	144,510
Total Revenue	9,408,228	9,408,228	9,037,502	(370,726)
Expenditures:				
Current:				
Instruction	7,089,707	7,089,707	6,147,728	941,979
Support Services	2,941,422	2,941,422	2,512,704	428,718
Non-instructional Programs	9,528	9,528	7,814	1,714
Other Expenditures	467,121	467,121	435,808	31,313
Total Expenditures	10,507,778	10,507,778	9,104,054	1,403,724
Excess (Deficiency) of Revenues Over Expenditures	(1,099,550)	(1,099,550)	(66,552)	1,032,998
Other Financing Sources (Uses):				
Transfers Out	-	-	(4,000)	(4,000)
Total Other Financing Sources (Uses)	-	-	(4,000)	(4,000)
Net Change in Fund Balances	(1,099,550)	(1,099,550)	(70,552)	1,028,998
Fund Balances - Beginning of Year	1,060,031	1,060,031	1,060,031	-
Fund Balances - End of Year	\$ (39,519)	\$ (39,519)	\$ 989,479	\$ 1,028,998

See Accompanying Notes to Financial Statements

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## **SUPPLEMENTARY INFORMATION**

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Year Ended June 30, 2004**

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax	\$ 3,499,390
Mobile Home Tax	2,802
Utility Tax Replacement Excise Tax	53,782
	<u>3,555,974</u>

Other Local Sources:

Interest on Investments	31,971
Tuition from Individuals	27,475
Tuition from Other Districts	159,424
Sales of Services to Other LEA's/AEA's	6,972
Miscellaneous	50,810
	<u>276,652</u>
	<u>3,832,626</u>

State Sources:

State Foundation Aid	3,712,101
Instructional Support State Aid	33,491
Educational Excellence Program:	
Phase I	71,275
Phase II	107,967
Non-Public Transportation Aid	118,002
Non-Public Textbook and Technology Aid	13,275
Teacher Compensation	102,543
Vocational Education Aid	10,232
Revenue in lieu of taxes - military credit	3,028
AEA Flow-Through	435,808
Iowa Early Intervention Block Grant	69,782
Other State Aid	14,043
	<u>4,691,547</u>

Federal Sources:

Title I Grants to Local Educational Agencies	146,140
Safe and Drug-Free Schools and Communities-States Grants	7,814
Innovative Education Program Strategies (Title V Program)	10,946
Vocational Education - Basic Grants to States	18,959
Special Education - Grants to States	74,006
Teacher Quality Enhancement Grants	55,896
Improvement of Education Grants	75,000
Title VI Grants for Assessments and Related Activities	14,421
Other	27,844
	<u>431,026</u>
Total Revenue	<u>\$ 8,955,199</u>

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**Year Ended June 30, 2004**

Schedule 1 (Continued)

**Expenditures:**

**Instruction:**

Regular Instruction:

Salaries	\$ 3,192,031
Benefits	799,247
Services	214,528
Supplies	109,781
Property	17,134
	<u>4,332,721</u>

Special Education Instruction:

Salaries	654,075
Benefits	143,329
Services	457,396
Supplies	6,168
Property	5,896
Other	847
	<u>1,267,711</u>

Vocational Instruction:

Salaries	237,236
Benefits	58,214
Services	3,195
Supplies	19,519
Property	15,737
	<u>333,901</u>

Co-curricular Instruction:

Salaries	174,065
Benefits	22,319
Services	5,850
	<u>202,234</u>

Nonpublic Instruction:

Supplies	13,241
	<u>13,241</u>

**Total Instruction**

6,149,808

**Support Services:**

**Student Services:**

Attendance and Social Work Services:

Salaries	9,003
Benefits	2,340
Services	1,841
Supplies	180
	<u>13,364</u>

Guidance Services:

Salaries	175,499
Benefits	39,811
Services	4,452
Supplies	2,274
	<u>\$ 222,036</u>

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**Year Ended June 30, 2004**

Schedule 1 (Continued)

**Support Services (Continued):**

**Student Services (Continued):**

Health Services:

Salaries	\$ 39,881
Benefits	10,181
Services	2,426
Supplies	2,576
	<u>55,064</u>

<b>Total Student Services</b>	<u>290,464</u>
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**Support Services:**

**Instructional Staff Services:**

Improvement of Instruction Services:

Salaries	1,915
Benefits	243
Services	13,622
Supplies	2,279
Other	299
	<u>18,358</u>

Educational Media Services:

Salaries	221,435
Benefits	41,382
Services	49,049
Supplies	81,987
Property	73,572
Other	66
	<u>467,491</u>

<b>Total Instructional Staff Services</b>	<u>485,849</u>
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**Support Services:**

**Administration Services:**

Executive Administration:

Salaries	128,885
Benefits	33,076
Services	2,188
Supplies	3,636
Other	681
	<u>168,466</u>

School Administration:

Salaries	366,853
Benefits	126,564
Services	66
Supplies	2,109
Other	2,258
	<u>\$ 497,850</u>

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**General Fund - Continued**  
**Year Ended June 30, 2004**

Schedule 1 (Continued)

**Support Services (Continued):**

**Administration Services (Continued):**

Business Administration:

Salaries	\$ 46,325
Benefits	10,428
Services	2,451
Supplies	56
Iowa School Cash Anticipation Program:	
Interest	9,051
Issuance Costs	7,431
Other	507
	<u>76,249</u>

Board of Education:

Services	34,324
Supplies	7,672
	<u>41,996</u>

**Total Administration Services:**

784,561

**Support Services:**

**Plant Operation and Maintenance:**

Salaries	235,713
Benefits	57,452
Services	94,296
Supplies	221,923
Property	10,083
	<u>619,467</u>

**Support Services:**

**Student Transportation:**

Salaries	156,119
Benefits	25,897
Services	134,759
Supplies	37,178
	<u>353,953</u>

**Total Support Services**

2,534,294

**Non-instructional Programs:**

Community Services:

Salaries	3,312
Benefits	177
Services	2,903
Supplies	1,422
	<u>\$ 7,814</u>

Continued



MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
Statement of Revenue, Expenditures and Changes in Fund Balance  
General Fund - Continued  
Year Ended June 30, 2004

Schedule 1 (Continued)

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<b>Other Expenditures:</b>	
AEA Flow-Through	\$ 435,808
Total Expenditures	<u>9,127,724</u>
(Deficiency) of Revenues Over Expenditures	<u>(172,525)</u>
Other Financing Uses:	
Transfers To Other Funds	<u>(4,000)</u>
(Deficiency) of Revenues Over Expenditures and Other Financing Uses	(176,525)
Fund Balance - Beginning of Year	<u>251,447</u>
Fund Balance - End of Year	<u><u>\$ 74,922</u></u>

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**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**Governmental Nonmajor Funds**  
**June 30, 2004**

	<b>Special Revenue Funds</b>			
	<b>Management</b>	<b>Physical</b>	<b>Student</b>	<b>Debt</b>
	<b>Levy</b>	<b>Plant and</b>	<b>Activity</b>	<b>Service</b>
		<b>Equipment</b>		
		<b>Levy</b>		
<b>Assets</b>				
Cash and Pooled Investments	\$ 20,849	\$ 169,016	\$ 97,080	\$ 42,836
Receivables:				
Property Tax	656	1,785		3,418
Succeeding Year Property Tax	240,000	324,838		402,610
Accounts			7,429	
Due from Other Governments				
Prepaid Expense				
<b>Total Assets</b>	<b>261,505</b>	<b>495,639</b>	<b>104,509</b>	<b>448,864</b>
<b>Liabilities and Equity</b>				
<b>Liabilities:</b>				
Accounts Payable	1,886	96,850	8,333	8,692
Early Retirement Payable	69,578			
Deferred Revenue - Succeeding Year				
Property Taxes	240,000	324,838		402,610
<b>Total Liabilities</b>	<b>311,464</b>	<b>421,688</b>	<b>8,333</b>	<b>411,302</b>
<b>Fund Balances:</b>				
Reserved for:				
Debt Service				37,562
Unreserved for:				
Special Revenue Fund	(49,959)	73,951	96,176	
Capital Project Fund				
<b>Total Fund Balances</b>	<b>(49,959)</b>	<b>73,951</b>	<b>96,176</b>	<b>37,562</b>
<b>Total Liabilities and Equity</b>	<b>\$ 261,505</b>	<b>\$ 495,639</b>	<b>\$ 104,509</b>	<b>\$ 448,864</b>

Schedule 2

**Capital Projects Funds**

Capital Projects	Capital Project LOST	Total
\$ 173	\$ 184,399	\$ 514,353
		5,859
		967,448
		7,429
	120,136	120,136
	7,801	7,801
173	312,336	1,623,026
	43,741	159,502
		69,578
		967,448
-	43,741	1,196,528
		37,562
		120,168
173	268,595	268,768
173	268,595	426,498
\$ 173	\$ 312,336	\$ 1,623,026

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2004**

	<b>Special Revenue Funds</b>			
	<b>Management</b>	<b>Physical</b>	<b>Student</b>	<b>Debt</b>
	<b>Levy</b>	<b>Plant and</b>	<b>Activity</b>	<b>Service</b>
		<b>Equipment</b>		
		<b>Levy</b>		
Revenue:				
Local Sources:				
Local Tax	\$ 121,546	\$ 349,849	\$ -	\$ 613,945
Other	50	6,184	333,405	1,000
State Sources	132	359	-	642
Total Revenue	121,728	356,392	333,405	615,587
Expenditures:				
Current:				
Instruction:				
Regular Instruction	92,234	77,119	-	-
Other Instruction	-	-	318,500	-
Support Services:				
Student Services	498	-	-	-
Instructional Staff Services	541	3,124	-	-
Administration Services	56,482	1,679	-	-
Operation and Maintenance	27,364	-	-	-
Transportation Services	18,375	92,100	-	-
Non-instructional Programs	6,309	-	-	-
Other Expenditures:				
Facilities Acquisition and Construction	-	206,190	-	-
Long-term Debt:				
Principal	-	-	-	545,000
Interest and Fiscal Charges	-	-	-	84,535
Total Expenditures	201,803	380,212	318,500	629,535
Excess(Deficiency) of Revenues				
Over Expenditures	(80,075)	(23,820)	14,905	(13,948)
Other Financing Sources (Uses):				
Transfers In	-	-	4,000	-
Net Change in Fund Balances	(80,075)	(23,820)	18,905	(13,948)
Fund Balances - Beginning of Year	30,116	97,771	77,271	51,510
Fund Balances - End of Year	\$ (49,959)	\$ 73,951	\$ 96,176	\$ 37,562

**Schedule 3**

<b>Capital Projects Funds</b>		
<b>Capital Projects</b>	<b>Capital Project LOST</b>	<b>Total</b>
\$ -	\$ 347,215	\$ 1,432,555
708	1,440	342,787
-	-	1,133
708	348,655	1,776,475
-	-	169,353
-	-	318,500
-	-	498
-	-	3,665
-	-	58,161
-	-	27,364
-	-	110,475
-	-	6,309
12,461	80,060	298,711
-	-	545,000
-	-	84,535
12,461	80,060	1,622,571
(11,753)	268,595	153,904
-	-	4,000
(11,753)	268,595	157,904
11,926	-	268,594
\$ 173	\$ 268,595	\$ 426,498

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Schedule of Individual Student Activity Account Activity**  
**For the Year Ended June 30, 2004**

					Schedule 4
	Balance June 30, 2003	Revenues	Expenditures	Operating Transfers	Balance June 30, 2004
Annual	\$ 5,352	\$ 18,812	\$ 14,936		\$ 9,228
Plays/Musical	5,764	6,174	4,575		7,363
Iowa High School Speech	(3,133)	4,939	1,806		-
Iowa High School Music	(4,239)	293	-	\$ 4,000	54
Vocal Robe Rent	8,629	500	277		8,852
Band Instrument Rent	(5,298)	6,618	5,848		(4,528)
High School Band Uniform Rent	769	6,574	6,670		673
High School Band	635	9,422	10,051		6
Music Gate Receipts	6,385	3,491	8,983		893
Athletics	24,903	83,322	79,786		28,439
Joint Baseball	3,326	17,429	7,681		13,074
Joint Baseball/Softball Concessions	1,349	5,468	9,184		(2,367)
FCA Christian Ministries	992	525	860		657
Dance Team	(1,150)	1,505	342		13
AFS Club	725	-	725		-
Peb Club/Cheerleaders	(881)	3,681	3,244		(444)
Science Club	(593)	593	-		-
Student Council	1,303	3,913	4,064		1,152
Art Club	(282)	282	-		-
FFA Club	(1,548)	32,745	27,616		3,581
Class of 2010	-	500	-		500
Class of 2009	500	500	-		1,000
Class of 2008	1,000	500	-		1,500
Class of 2007	1,500	-	-		1,500
Class of 2006	1,500	-	150		1,350
Class of 2005	1,350	8,879	9,275		954
Class of 2004	3,253	-	2,299		954
Class of 2003	1,330	1,000	2,330		-
Class of 2002	-	-	-		-
Class of 2001	-	-	-		-
Get a Grip	57	57	-		114
Middle/High School Shop	(855)	2,790	1,935		-
Awards	(1,992)	2,627	-		635
High School Faculty Pop					-
Machine and Coffee Fund	50	1,962	1,728		284
Concessions	7,175	7,140	11,114		3,201
Juice Machine	780	4,634	5,236		178
National Honor Society	322	490	554		258
Middle School Miscellaneous	1,645	1,369	1,911		1,103
Middle School Student Council	\$ 1,821	\$ 3,856	\$ 3,514		\$ 2,163

(Continued)

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Schedule of Individual Student Activity Account Activity - (Continued)**  
**For the Year Ended June 30, 2004**

					Schedule 4
	Balance June 30, 2003	Revenues	Expenditures	Operating Transfers	Balance June 30, 2004
Middle School Pop Machine	\$ 582	\$ 1,002	\$ 1,526		\$ 58
Middle School Magazines	6,110	51,564	51,037		6,637
Middle School Book Club	136				136
Middle School Pictures	1,273	835	624		1,484
My Choice Christian Ministries	(22)	4,741	4,524		195
Orange City Kindergarten Gowns	208	-	208		-
Orange City Elementary Pop Machine and Miscellaneous	310	1,309	1,436		183
Orange City Outdoor Education	2,411	12,238	12,204		2,445
Orange City Elementary Pictures	169	4,577	4,772		(26)
Orange City Elementary Book Club	441	1,456	1,277		620
Orange City Elementary Care Fund	145	528	300		373
Hospers Elementary Pop Machine and Miscellaneous	273	2,613	4,276		(1,390)
Hospers Elementary Pictures	(74)	645	105		466
Reading Counts	-	3,879	1,224		2,655
Revolving/Interest	2,865	5,428	8,293		-
Totals	\$ 77,271	\$ 333,405	\$ 318,500	\$ 4,000	\$ 96,176



**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Comparison of Taxes and Intergovernmental Revenues and Receipts**  
**For the Years Ended June 30, 2004, 2003, 2002, 2001**

**Schedule 5**

	<b>Modified Accrual Basis of Accounting</b>			
	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>Local Sources:</b>				
Property Taxes	\$ 4,568,224	\$ 4,410,680	\$ 4,217,741	\$ 4,065,336
Mobile Home Taxes	3,580	3,545	3,997	3,901
Utility Tax Replacement Excise Tax	69,510	61,640	61,763	66,426
Local Option Sales and Services Tax	347,215			
	<u>4,988,529</u>	<u>4,475,865</u>	<u>4,283,501</u>	<u>4,135,663</u>
<b>State Sources:</b>				
State Foundation Aid	3,712,101	3,861,045	3,836,594	3,799,518
Instructional Support State Aid	33,491	-	-	-
School Improvement Technology Funding	-	-	28,254	83,347
Educational Excellence Program:				
Phase I	71,275	71,808	71,808	71,808
Phase II	107,967	110,466	112,944	113,617
Phase III	-	27,448	64,542	63,302
Non-Public Transportation Aid	118,002	105,001	118,489	96,240
Non-Public Textbook and Technology Aid	13,275	13,324	52,769	50,226
Teachers Compensation Allocation	102,543	87,812	86,391	-
Vocational Education Aid	10,232	4,830	2,883	1,396
Revenue in Lieu of Taxes - Military Credit	3,910	3,098	4,312	4,303
Lunch and Breakfast program claims	6,659	7,006	7,244	8,127
AEA Flow-Through	435,808	466,374	469,938	474,966
Iowa Early Intervention Block Grant	69,782	71,902	66,599	41,215
Other State Aid	7,513	16,124	50,156	15,945
	<u>4,692,558</u>	<u>4,846,238</u>	<u>4,972,923</u>	<u>4,824,010</u>
<b>Federal Sources:</b>				
Title I Grants to Local Educational Agencies	146,140	139,184	130,654	103,730
Class Size Reduction	-	-	32,189	24,158
Innovative Education Program Strategies				
(Title V Program)	10,946	11,109	11,382	11,243
Safe and Drug Free Schools and Communities -				
State Grants	7,814	9,110	7,623	8,007
Vocational Education-Basic Grants to States	18,959	16,937	15,135	14,183
National School Lunch Program	110,593	102,540	108,856	102,036
Food Distribution	43,553	53,859	38,855	31,844
Special Education - Grants to States	74,006	45,607	-	-
Teacher Quality Enhancement Grants	55,896	55,234	-	-
Improvement of Education Grants	75,000	97,325	-	-
Title VI Grants for Assessments and Related				
Activities	14,421	-	-	-
Other	27,844	11,110	37,688	20,781
	<u>585,172</u>	<u>542,015</u>	<u>382,382</u>	<u>315,982</u>
<b>Total</b>	<u>\$ 10,266,259</u>	<u>\$ 9,864,118</u>	<u>\$ 9,638,806</u>	<u>\$ 9,275,655</u>

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2004**

Schedule 6

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY04	\$ 43,553 *
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY04	8,430
National School Lunch Program	10.555	FY04	102,163
			<u>110,593 *</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY04	146,140 *
Special Education - Grants to States	84.027	FY04	74,006
Vocational Education - Basic Grants to States	84.048	FY04	18,959
Safe and Drug-Free Schools and Communities -			
State Grants	84.186	FY04	7,814
Fund for the Improvement of Education	84.215	FY04	75,000
Innovative Education Program Strategies			
(Title V Program)	84.298	FY04	10,946
Title I Accountability Grants	84.348	FY04	900
Title II Improving Teacher Quality State Grants	84.367	FY04	55,896
Title VIA- Grants for State Assessments &			
Related Activities	84.369	FY04	14,421
Total			<u>\$ 558,228</u>

\* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs

**BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the MOC - Floyd Valley Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Schedule 7**

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**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding, which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
  - CFDA Number 10.550 – Food Distribution (Non-Cash)
  - Clustered Programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) MOC-Floyd Valley Community School District did not qualify as a low-risk auditee.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

Schedule 7 (Continued)

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**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

There were no prior year audit findings.

**REPORTABLE CONDITIONS:**

**II-A-04 Financial Accounting – Segregation of Duties**

- A. Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendations – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Schedule 7 (Continued)**

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**Part III: Findings and Questioned Costs For Federal Awards:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2004  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Agency Numbers: 9996 and 9997  
Federal Award Year: 2004  
U.S. Department of Education  
Passed through the Iowa Department of Education

CFDA Number 10.550: Food Distribution (Non-Cash)  
Federal Award Year: 2004  
U.S. Department of Education  
Passed through the Iowa Department of Education

**III-A-04 Segregation of Duties** – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Schedule 7 (Continued)**

**Part IV: Other Findings Related to Statutory Reporting:**

- IV-A-04      Official Depositories – A resolution naming official depositories has been approved by the District. However, the maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2004.  
Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the District.  
Response – The District will increase the maximum deposit amount.  
Conclusion – Response accepted.
- IV-B-04      Certified Budget – Disbursements for the year ended June 30, 2004 did not exceed amounts budgeted.
- IV-C-04      Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-04      Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-04      Business Transactions – Business transactions between the District and District Officials are detailed as follows:
- | Name, Title and<br>Business Connection                                   | Transaction<br>Description | Amount   |
|--|----------------------------|----------|
| Gerald Van Roekel, Board Member<br>Part-owner of Van Engelenhoven Agency | Insurance                  | \$93,655 |
- This transaction may represent a conflict of interest and the District should contact legal council for determination.
- IV-F-04      Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-04      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-H-04      Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-04      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Schedule 7 (Continued)**

- 
- |         |   |
|---------|---|
| IV-J-04 | <u>Certified Annual Report</u> – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.  |
| IV-K-04 | <u>Deficit Balances</u> – The management fund as well as several student activity accounts had deficit balances at June 30, 2004.<br><u>Recommendation</u> – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.<br><u>Response</u> – The District is continuing to investigate alternatives to eliminate deficits in the management fund and the student activity accounts at the end of the fiscal year.<br><u>Conclusion</u> – Response accepted. |



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
MOC-Floyd Valley Community School District

We have audited the financial statements of the MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2004, and have issued our report thereon dated September 2, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the MOC-Floyd Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered MOC-Floyd Valley Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect MOC-Floyd Valley Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe II-A-04 is a material weakness.



This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of MOC-Floyd Valley Community School District and other parties to whom the MOC-Floyd Valley Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of MOC-Floyd Valley Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*Williams + Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
September 2, 2004



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the  
MOC-Floyd Valley Community School District:

Compliance:

We have audited the compliance of MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. MOC-Floyd Valley Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of MOC-Floyd Valley Community School District's management. Our responsibility is to express an opinion on MOC-Floyd Valley Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MOC-Floyd Valley Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on MOC-Floyd Valley Community School District's compliance with those requirements.

In our opinion, MOC-Floyd Valley Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance:

The management of the MOC-Floyd Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered MOC-Floyd Valley Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the MOC-Floyd Valley Community School District's ability to administer a major federal

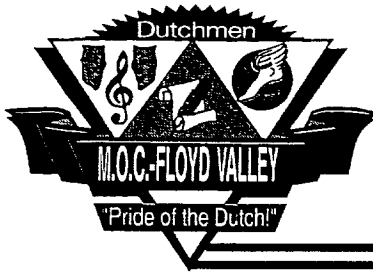
program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item III-A-04 to be a material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of MOC-Floyd Valley Community School District and other parties to whom MOC-Floyd Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is intended to be and should not be used by anyone other than these specified parties.

*Williams + Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
September 2, 2004



# M.O.C.-Floyd Valley Community School

Gary Richardson, Superintendent of Schools

1301 8th Street SE, P.O. Box 257

Orange City, Iowa 51041

Phone (712) 737-4873

Fax (712) 737-8789

## Schedule of Findings and Questioned Costs Corrective Action Plan June 30, 2004

### Department of Education:

MOC-Floyd Valley Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2004.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2004.

The finding from the June 30, 2004 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule. Part I of the schedule, Summary of the Independent Auditor's Results, does not include a finding and is not addressed.

The audit disclosed a reportable condition as identified in Part III of the accompanying Schedule of Findings and Questioned Costs.

### REPORTABLE CONDITIONS:

#### III-A-04 – Financial Accounting – Segregation of Duties

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

If the Department of Education has questions regarding this plan, please call Gary Richardson at 712-737-4873.

Sincerely yours,

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT

Gary Richardson, Superintendent

High School  
615 8th Street SE  
Orange City, Iowa 51041  
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Russ Adams, Principal

Middle School  
1104 5th Avenue  
Alton, Iowa 51003  
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John VandeWeerd, Principal

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312 1st Street SW  
Orange City, Iowa 51041  
(712) 737-4606  
60 Mike Landhuis, Principal

Hospers Elementary  
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Marcia De Graaf, Principal

*The MOC-Floyd Valley Community School District provides a learning environment  
which prepares all students for their highest level of lifetime achievement.*